

Department Administered Programs . . .

Organizational Charts

Regulatory Cost

Subsequent Injury Fund

Uninsured Employers' Fund

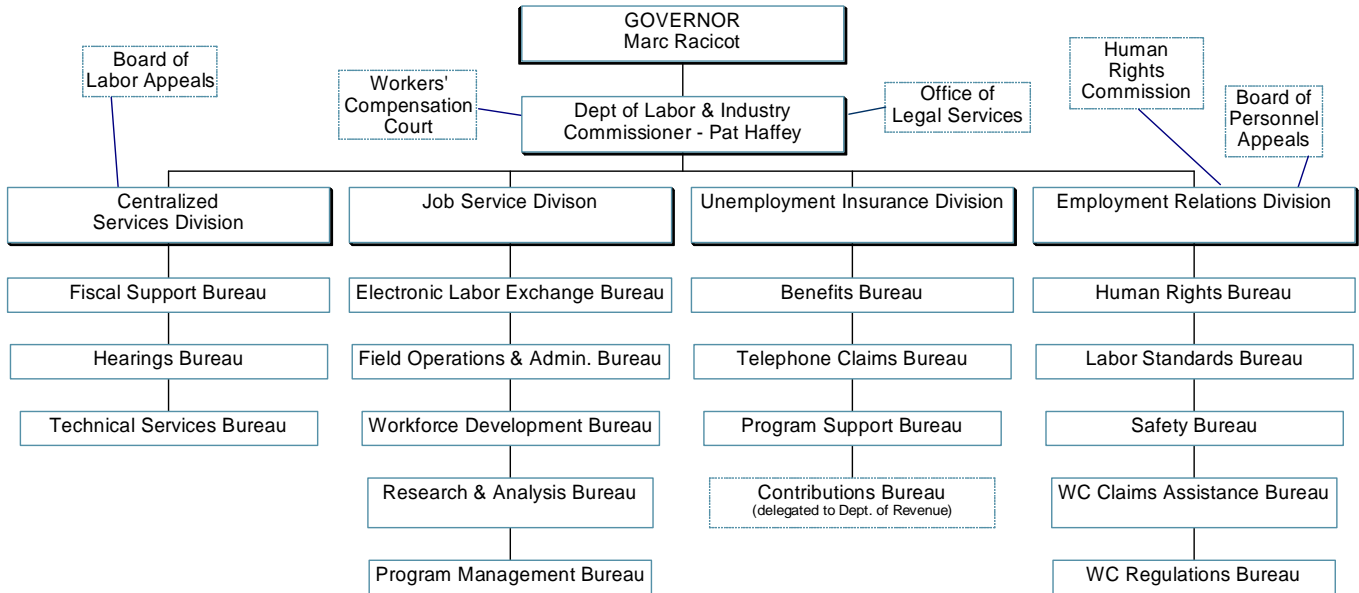
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Independent Contractor Exemptions

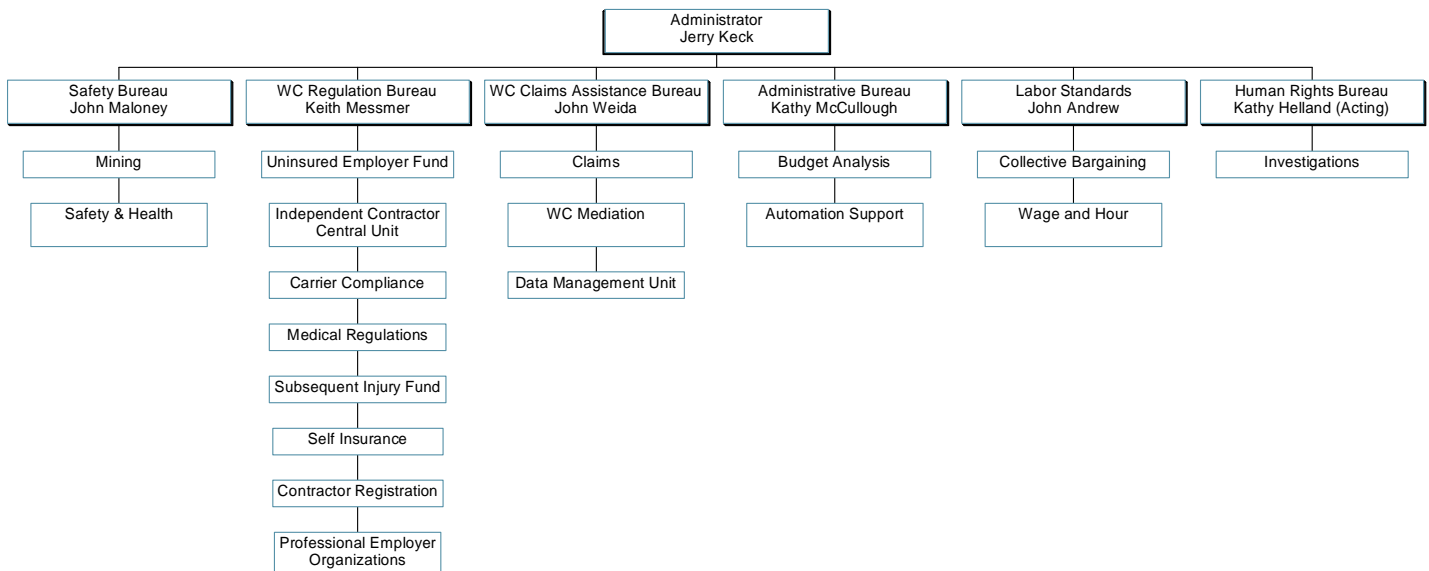
Professional Employer Organizations

Organizational Charts

Montana Department of Labor & Industry



Employment Relations Division Montana Department of Labor & Industry Phone # (406) 444-6531 Fax# (406) 444-4140



Regulatory Cost

The cost of administering the Workers' Compensation and Occupational Disease Acts and the various occupational safety laws is funded by an assessment to Plan 1 (self insurers), Plan 2 (private insurance carriers) and Plan 3 (State Fund) through FY99. The assessment is calculated on an equitable basis, using proper accounting and cost allocation procedures, to accurately derive an assessment rate. Beginning with the FY2000, each insurer will be assessed 3% of benefits paid.

Regulatory functions performed by the Department of Labor & Industry

- Legal functions of the Workers' Compensation Court, Hearings and Legal Bureaus
- Administration of the Employment Relations Division, including the Workers' Compensation Database
- Claims management, data analysis, rehabilitation panels, mediation, and administration functions of the Claims Assistance Bureau
- Medical regulation, self-insurance, carrier compliance, and administration functions of the Regulation Bureau
- Occupational safety statistics, mandatory inspections, on-site consultation match, mining inspection, mine training match, and safety culture functions of the Safety Bureau



Regulatory Cost By Fiscal Year

FY96	FY97	FY98
\$3,623,108	\$3,429,653	\$3,816,458

Subsequent Injury Fund

The Subsequent Injury Fund (SIF) was established by legislation passed in 1973. The purpose of SIF is to assist individuals with impairments to obtain employment by offering a financial incentive to employers for hiring SIF-certified individuals. Many states have similar funds called either subsequent or second injury funds. Montana's program is funded through an annual assessment on Montana workers' compensation insurers.

The law defines "person with a disability" as a person who has a medically certifiable permanent impairment that is a substantial obstacle to obtaining employment or re-employment. Also taken into account are such factors as the person's age, education, training, experience and employment rejections.

The Subsequent Injury program reduces the liability of the employer by placing a limit on the amount an employer, or the employer's insurer, will have to pay if the worker becomes injured or re-injured on the job. When that limit is reached, SIF assumes liability for the claim. If a certified worker does become injured on the job, the worker remains entitled to all benefits due under the Workers' Compensation Act.

There were 193 new SIF certifications during fiscal year 1998. There are a total of 2,330 SIF certified employees in the state of Montana.

The assessment is based on a percentage of the compensation and medical benefits paid in Montana by each plan in the preceding calendar year. The rate is set by the Employment Relations Division based on the total amount of paid losses reimbursed by the fund in the preceding calendar year and the expenses of administration less other income.

Subsequent Injury Fund Claims

By Plan - FY98

	Plan 1	Plan 2	Plan 3	Total
New Claims Filed	1	5	1	7
Number of Open Claims	29	10	17	56
Reserved Amount*	\$500,466	\$330,067	\$186,894	\$1,017,427

Notes:

*Reserved amount is the dollar amount set aside to pay the expected future cost of the claims.

SIF Payments and Dollars Assessed

By Fiscal Years

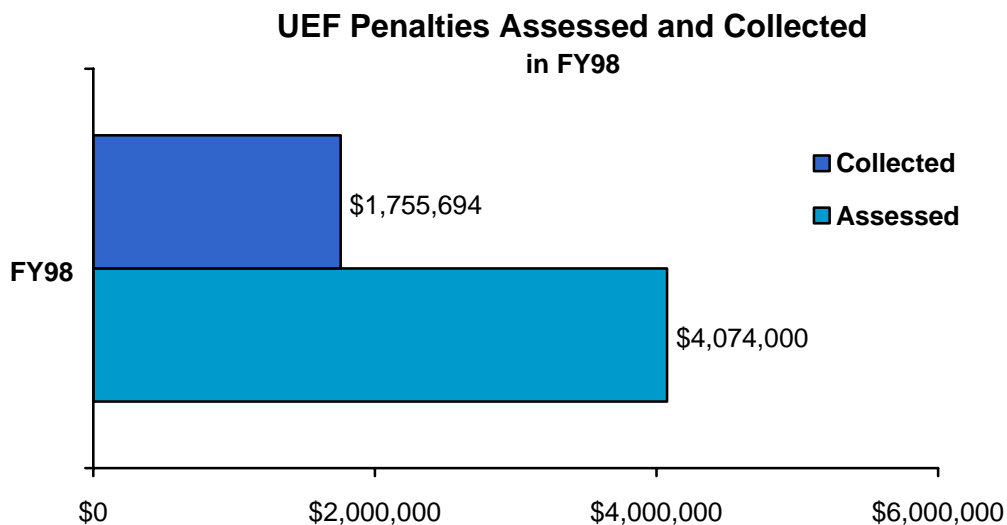
	FY96		FY97		FY98	
	Payments	Assessment	Payments	Assessment	Payments	Assessment
Plan 1	\$202,663	\$92,621	\$162,380	\$85,481	\$49,938	\$6,134
Plan 2	\$12,979	\$118,988	\$36,116	\$121,710	\$74,675	\$11,425
Plan 3	\$134,836	\$437,795	\$71,190	\$395,185	\$112,575	\$20,399
Total	\$350,477	\$649,404	\$269,686	\$602,376	\$237,188	\$37,958

Uninsured Employers Fund

The role of the Uninsured Employers' Fund (UEF) of the Employment Relations Division is to ensure employers comply with required workers' compensation laws so employees are properly covered by insurance. If employers are without appropriate workers' compensation insurance, the UEF provides benefits for their injured employees and pursues reimbursement from the uninsured employer.

The UEF Unit also levies and collects penalties for the time the employer was uninsured. The department may require the uninsured employer to pay a penalty to the fund:

- up to double the insurance premium that would have been paid by the employer or
- \$200, whichever is greater.

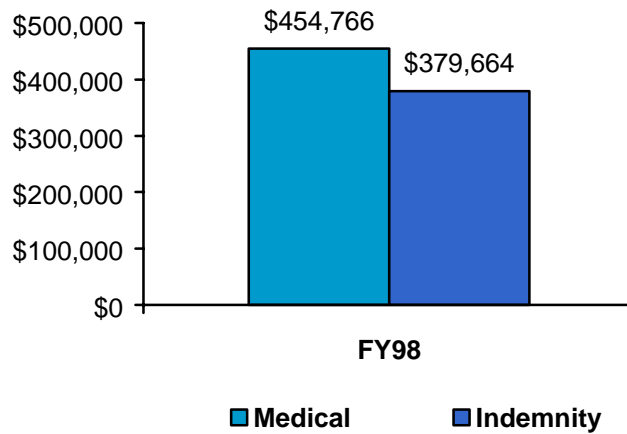


- Of the over \$4,074,000 in penalties assessed by the Uninsured Employer Fund unit against uninsured employers in FY98, approximately \$1,755,694 were collected.

**UEF Penalties Assessed and Collected
By Fiscal Year**

	FY96	FY97	FY98
Collected	\$1,014,938	\$1,606,177	\$1,755,694
Assessed	\$3,399,409	\$6,730,598	\$4,074,000

UEF Indemnity and Medical Payments FY98



UEF Indemnity and Medical Payment By Fiscal Year

	FY96	FY97	FY98
Medical	\$255,422	\$254,090	\$454,766
Indemnity	\$286,405	\$323,806	\$379,664
Total	\$541,826	\$577,896	\$834,430

- As of June 30, 1998, 101 claims were filed by employees who were injured in FY98 and whose employers were uninsured.



Safety

The Safety Bureau is responsible for administering the state's occupational safety and health laws. This involves mandatory workplace safety inspections in public sector workplaces (city, county, state governments and schools), coal mines and sand and gravel operations. The Bureau's goal is to prevent employee illnesses and injuries by enforcing the intent of the various safety statutes and to support federally funded Occupational Safety and Health Administration (OSHA) voluntary programs in the private sector. The ultimate goal of all activities of the Safety Bureau is to reduce worker injuries and illnesses and lower workers' compensation premiums. Non-mining private sector employers are covered by federal OSHA with regard to inspection activities.

The Safety Bureau inspects public workplaces and issues orders for correction of hazards to provide a safe work environment. Federal OSHA preempts inspecting private places of business. Safety and health consultations are available to private employers upon request, thanks to a grant from OSHA.

Mining inspections are conducted on surface and underground coal mines and sand and gravel operations. These mines are required to comply with safety and health standards contained in the mine safety statutes.

The Federal Mines Safety and Health Administration (MSHA) has provided the Safety Bureau with a training grant to conduct safety training for employers and employees of small mines. Mine operators are assisted in developing acceptable training plans so that their employees recognize hazardous conditions in a mining operation.

The Safety Culture Act, passed in the 1993 legislative session, is designed to foster safe work practices, beginning with the students in Montana's schools and progressing through to employers. Potential employees are taught as early as middle school the effect unsafe work practices can have on their lives and their workers' compensation insurance premiums.

All employers in Montana are now required to implement an education-based safety program. Employers with more than five employees are required to have active safety committees.



Safety Bureau Activities - FY98

Safety and Health Section	Employer Sector					
	<i>Public</i>			<i>Private</i>		
	FY96	FY97	FY98	FY96	FY97	FY98
Mandatory Inspections Performed	241	253	169	--	--	--
On-site Inspection Performed	--	--	--	106	109	175
Requests for Technical Assistance	179	307	280	202	291	409
Formal Training Sessions Conducted	23	60	54	28	42	44
Workers Trained	618	1,676	1,797	660	991	1,236

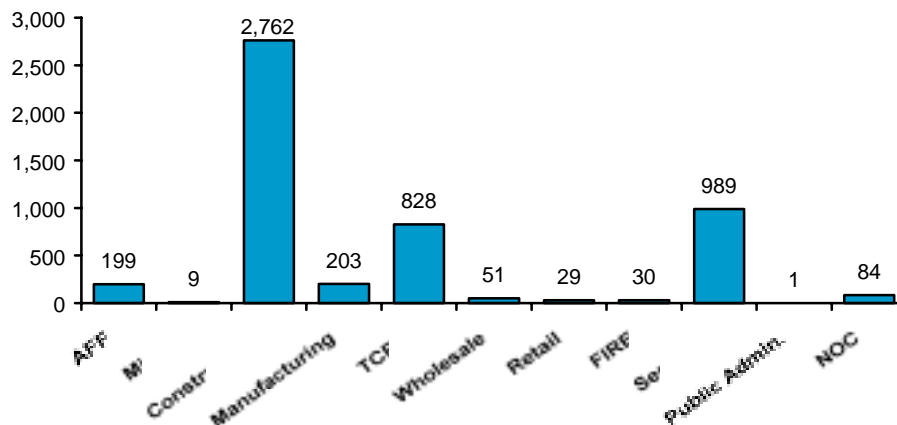
Mining Section	Coal			Metal/Nonmetal		
	FY96	FY97	FY98	FY96	FY97	FY98
Inspections Performed	57	88	79	196	212	192
Mine Training Sessions Conducted	12	9	22	85	96	83
Workers Trained	372	225	705	980	1,134	1,144
Coal Mine Foreman Training Sessions Conducted	5	7	10	--	--	--
Coal Mine Foreman Trained	66	47	82	--	--	--



Independent Contractor Exemptions

Independent contractors (IC) are individuals who offer their services in an occupation in which they are free of control and they have their own established business. These individuals can carry workers' compensation coverage on themselves or they can obtain an independent contractor exemption. By obtaining the exemption, the individual is waiving their rights to workers' compensation and unemployment insurance benefits. The Employment Relations Division may ask for information or perform random verifications to assure the exemptions are issued correctly. Exemptions were first enacted by the 1983 legislature.

**Distribution of Independent Contractor Exemptions
By Standard Industrial Classification¹ - Issued in FY98**



Notes:

AFF = Agriculture, Forestry & Fishing

TCPU = Transportation, Communication & Public Utilities

FIRE = Finance, Insurance & Real Estate

* Refer to Industry Division under Methodology in the appendix for an explanation.

NOC means Not Otherwise Classified

- As of June 30, 1998, there were 14,796 active independent contractor exemptions.
- There were 5,185 new exemptions issued during FY98 and 4,838 renewals issued.
- Construction accounted for approximately 53% of all new exemptions. The service industry had the second largest number of exemptions, 19%.



**Distribution of Independent Contractor Exemptions
By Fiscal Year**

	FY96	FY97	FY98
Active IC Exemptions	15,391	14,290	14,796

Professional Employer Organizations

Professional Employer Organizations (PEOs) are required to be licensed by the Department of Labor and Industry prior to supplying workers to client companies. In general, PEOs contract with client companies to provide workers and other payroll-related services, relieving the client from the administrative paperwork associated with employing workers. Since the law's inception in July 1, 1995, the Department has licensed 15 PEOs who have contracted with 295 clients. An additional 15 applications are being processed. In order to become licensed, PEOs must submit an application and include proof of workers' compensation coverage for all workers supplied to client locations.



